



memorandum

Housing and Community Revitalization

Abt Associates Inc.

Date April 11, 2005

To The Honorable Judge Dickinson Debevoise
Gustav Henningburg, Special Master
Zinnerford Smith, Chairman, Board of Commissioners
Harold Lucas, Executive Director
Neil Gallagher, Department of Justice

From MaryAnn Russ, Principal Associate
Victoria Main, Senior Associate

Subject Report to the Court

This report covers Fiscal Year 2004, and updates the progress of the Newark Housing Authority (NHA) since the written report of January 14, 2004.

1. Vacant Unit Turnaround

The period covered by this vacancy report is January 2004 through December 2004. The data used for this report came from the Managers' monthly vacancy logs. The year-end report is being submitted at this time because the final logs for 2004 were not received until March of 2005. Both the monthly vacancy log summaries and a year-end summary report are attached to this report. As you can see, both the vacancy rate and the turnaround time show a negative trend for 2004.

| Month | Vacancy Rate | Turnaround Time |
|--------------|--------------|-----------------|
| January | 2.75% | 83.00 days |
| February | 2.82% | 79.23 days |
| March | 2.76% | 78.29 days |
| April | 2.94% | 73.47 days |
| May | 2.74% | 82.80 days |
| June | ↓ 2.84% | ↓ 69.77 days X |
| July | 3.38% | 89.92 days |
| August | 3.42% | 77.23 days |
| September | 3.46% | 78.42 days |
| October | 3.62% | 92.16 days |
| November | 3.42% | 95.69 days |
| December | ↑ 3.16% | ↑ 121.12 days |
| 2004 Average | 3.13% | 84.86 days |

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At the beginning of the year, from January through June, both vacancy rates and turnaround times were close to those achieved during fiscal year 2003, but, beginning in July 2004 both vacancy rates and turnaround times increased. The last three months of the fiscal year showed a particularly negative trend in turnaround time with an average of 102.99 days for October, November and December. This is a very troubling trend, since, if it continues, the NHA could slip back into the vacancy problems that plagued it in the past.

Another disturbing indicator for 2004 is the number of units vacant for more than one year. During the entire year at least 11 units were vacant for more than a year, with a high of 19 units in October. Three of the units (at Mt. Pleasant) were vacant for more than a year in December 2003 and remained vacant throughout the entire year of 2004. These units may be awaiting either rehabilitation or sale, but this is certainly a long time for them to remain off line, serving no one. At New Horizon, another town home development, one unit was vacant for over a year beginning in April and the number had grown to five units by the end of the year.

It must be noted that this fiscal year saw some extremely destructive Federal budget cuts that affected NHA as well as every other public housing and Section 8 program. At NHA, one result of the budget cuts was a series of lay-offs, which included a fairly significant number of maintenance employees. At this point the agency is staffed at approximately the number of maintenance employees suggested by Abt in our recommendations of 1999, but the lay-offs, although necessary to preserve the Authority's fiscal integrity, had the effect on employee morale and productivity that one would expect – both dropped after the lay-offs. At this point the staff expects further lay-offs and we are concerned that these may fall in the Property Management department (including Occupancy), which can ill afford such cuts.

A final point on this subject is that all PHAs will shortly be mandated to change their approach to budgeting, accounting and property management, going from an agency-wide system under which better performing properties can prop-up poorer ones, to a project-based approach, under which both budgets and performance will be measured on a project-by-project basis. As a part of this change, PHAs will have to allocate their centralized overhead expenses to the properties. What NHA can expect from this is that some of its properties are unlikely to be able to sustain themselves – that is, they cost more to operate than they can generate from the combination of rents and operating subsidy. An additional possibility is that the centralized overhead costs incurred by NHA may very well be higher than will be permitted under the new system, which requires that such costs not exceed those permitted at other assisted housing properties in the locality. Abt has not completed an analysis of the probable effect of this change at NHA, but at most other large northeastern PHAs, it represents an additional subsidy cut that will fall entirely on central operations.

2. Section 8 Program

Timely reports have been received for the entire year. In 2004, 85 vouchers were issued from the waiting list and 10 relocation vouchers were issued. Of the waiting list vouchers issued, 74 were to African American Non-Hispanic families, one was issued to an African American Hispanic family, and 10 were to White Hispanic families. The 10 relocation vouchers were issued as follows: 9 to African American Non-Hispanic families and one to a White Hispanic family. Of the waiting list vouchers already described above, 4 were issued to elderly families and 4 to disabled families.

Housing Assistance Payment contracts were executed for 124 waiting list families, of whom 18 were White Hispanics, 6 were Black Hispanics, and 100 were African American Non-Hispanics, 1 was elderly and 5 were non-elderly persons with disabilities. Of the 124 waiting list leases executed, 96 were in impacted areas.

Housing assistance payment contracts were issued to 12 relocating families: 11 African American non-Hispanic families and one White Hispanic family, all of whom located in impacted neighborhoods.

The Housing Choice Voucher program waiting list was closed for all of 2004. Voucher issuance is based on turnovers – families leaving the program or porting out and being absorbed by the accepting PHA (which is now a rare occurrence). In a housing market as tight as Newark's few families leave the program, which accounts for the small number of new Vouchers issued and HAP contracts executed.

3. Continued Interference by the Deputy Executive Director

In our last report to the Court we noted that problems with interference by the NHA's Deputy Executive Director with both public housing and Section 8 program operations seemed to be resolved. This is emphatically no longer the case. Currently problems of inaction on important matters and inappropriate actions from the Deputy Executive Director, Ms. Vernita Sals Hill, are very serious. As examples, the Section 8 program was operated without filling the Deputy Director position for the entire year. Although the Section 8 Director was given permission by Mr. Lucas to fill the position, when she wished to interview a candidate from Chicago, she was told to promote an internal candidate. Since there was not a qualified internal candidate, the position remains vacant. In addition, staffing levels have dropped from 50 to 36 and the jobs have not been refilled even though dedicated funding was available to fill them. Requests for personnel actions require the sign-off of the Deputy Executive Director, which has not been forthcoming since February.

The Section 8 Director's office has been moved three times, the staff has moved once, the software has been changed more than once, and the Director has been harassed to an extent requiring extensive medical leave for documented physical problems. In spite of the fact that the program is still a High Performer, the Director received numerous unsatisfactory ratings from her supervisor, the Deputy Executive Director (as did most of the other Program Directors reporting to the Deputy Executive Director).

Problems with the Deputy Executive Director have been documented extensively in the public housing program as well, although many staff members are very afraid of speaking for attribution. The opinion of staff is that Ms. Sals Hill must have Mr. Lucas's permission to act in this manner, since he plainly is aware of her actions. Mr. Lucas denies that he supports these actions by the Deputy Executive Director and, in fact, has stated that he supported the staff in the performance of their duties.

It is our opinion that the treatment the Section 8 Director, Ms. Donnell Brown, has received is plainly in violation of the Court's instructions to the NHA.

4. Mobility Opportunity Program

In early 2004 HUD issued Notice PIH 2004-7. This Notice rescinds the right of PHAs to use exception rents for mobility opportunity or any other reason, thus damaging the potential effectiveness of mobility programs. NHA continues to operate the Mobility Opportunity Program, as pledged to the Fair Housing Center to ensure the release of NHA's tax credits, but since HUD's Notice has gone into effect, not much in the way of mobility moves should be expected.

In the late summer of 2004, using a survey instrument designed by Abt Associates, NHA surveyed all the families that had attended Mobility Counseling sessions. 111 families responded to the survey. The tabulated results are attached to this report.

Generally, the families that attended the Mobility Opportunity Counseling sessions found them valuable and many of the families moved to neighborhoods with lower racial and poverty impaction, although few moved to the identified Opportunity Areas.

5. Status of Stella Wright Relocatee Families

At the end of December, 2004 the number of families who would have been eligible for services had increased to 799 (one additional split family). Of those, 174 are no longer eligible for services, either because they were evicted (75 families) or because they died, skipped out, or moved without a forwarding address (99 families). This left 625 families still being tracked. Of these families, 223 are currently living in townhouses (including the new HOPE VI townhouses at West Kinney Gardens), 208 have Section 8 Housing Choice Vouchers, 189 are living in public housing senior and family developments, 2 have purchased homes, and 3 are no longer receiving housing assistance (because they are able to pay market rent).

Since our last report to the Court, the number of former Stella Wright Homes families living in townhouses has increased by 30 families, the number using Section 8 Vouchers has decreased by 35 families, and the number in elderly or family housing developments has decreased by 6 families.

It should be noted that when West Kinney Village was leasing up, all eligible former residents of Stella Wright Homes were contacted and invited to apply. 232 families did not accept or claim the letter (sent by certified mail). Of the 226 families who applied, 33 were admitted to West Kinney Gardens. 162 families did not pass screening, and 31 families did not complete their applications.

At 17th Avenue Terrace, a 36-unit homeownership development, 17 former Stella Wright families applied. 15 families were denied because of their incomes, credit worthiness, or rental history, and the two that were accepted refused to consummate the offers, even after extensive counseling with the HOPE VI staff.

6. Occupancy Issues

Late in 2003 Abt submitted a revised Admissions and Continued Occupancy Policy document and accompanying procedures to NHA for review, amendment and adoption. The new documents updated all NHA's Occupancy policies to account for changes in HUD policies and procedures. Some of the changes were significant, and others were just minor changes or reformatting. NHA

did not adopt the new policies. MaryAnn Russ trained all NHA's Occupancy and Property Management staff on the new policies and procedures during the week of March 29, 2005, even though the policies still have not been included in NHA's Annual Plan or adopted by the Board. At this point it is important that NHA move forward and adopt the new material.

cc: Jon Dubin